johnson hershey corporation
BUSINESS APPRAISALS · LITIGATION SUPPORT

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BUSINESS VALUATION

OF

WHOLE EARTH LECTRONIC LINK, INC.

1750 Bridgeway

Sausalito, California 94965

A CONFIDENTIAL REPORT

As of: September 30, 1993

Date: December 15, 1993

Our File: 93-121

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Appraiser's Qualifications

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APPRAISER'S OPINION

Whole Earth Lectronic Link, Inc.

We have examined financial data for the fiscal years 1989 through 1993. We have reviewed supporting documentation and interviewed management.

All of the data have been tested for reasonableness against the performance of other firms in the industry. In valuing the business we have considered the approach set forth in Internal Revenue Ruling 59-60 and Regulation 20.2031-3(b) and Revenue Ruling 59-60.

In our opinion the 50% interest in the WELL to be acquired by The Rosewood Stone Group had a value on September 30, 1993 of:

$772,625

It is also our opinion that this value did not materially change between September 30, 1993 and December 15, 1993.

JOHNSON HERSHEY CORPORATION

Alan W. Johnson, ASA
President

December 15, 1993

1. THE ASSIGNMENT

1.1 Description of the Assignment

Johnson Hershey Corporation was retained by The Point Foundation, a non-profit corporation, to appraise the corporation known as Whole Earth Lectronic Link (The WELL) as of September 30, 1993. The purpose of the appraisal was to establish the fair market value of WELL shares in connection with a stock purchase by the Redwood Stone Group. The estimates of value presented in this report are intended for this sole purpose only, and may not be used out of the context herein. It is not anticipated that this report will be used by third parties or for purposes other than that described above.

1.2 Contingent and Limiting Conditions

Information, estimates and opinions contained in this report are obtained from sources considered to be reliable. However, no liability for such sources is assumed by the appraiser. Johnson Hershey Corporation shall not be liable for inaccuracies, errors or omissions or be subject to consequential damages. The clients have confirmed in writing that they have no knowledge of any facts or material which would reasonably be expected to affect our conclusions which they have not disclosed to us. We assume that the data provided are fair and accurate in every material respect, but have not made an independent verification as to their accuracy.

Corporate tax returns were prepared by Eckhoff Accountancy Corporation and Richard A. Scarpa, CPA. Financial statements, operating data and background material were supplied by

the Company. Further information was obtained from Robert Morris Associates, Dun and Bradstreet, and the Federal Reserve Board. Possession of this report, or a copy thereof, does not carry with it the right of publication or use of all or part of it. It may not be used for any purpose by any but the client without previous written consent of the client and the appraiser.

1.3 Independence of the Appraiser

Neither Johnson Hershey Corporation nor the individuals involved in this appraisal have any present or contemplated interest in the WELL or any other interest which might present a conflict or prevent making a fair and unbiased appraisal. Fees for this appraisal are not contingent on the value established, based on a percentage of the total value, or on the outcome of any business transaction or litigation.

1.4 Qualifications of the Appraiser

This appraisal report was prepared by Alan W. Johnson ASA, President of Johnson Hershey Corporation. He holds an MBA degree from the University of Chicago, is certified as a Senior Business Valuation Specialist by the American Society of Appraisers and is certified by the American Arbitration Association. With more than 25 years of business valuation and related experience, he has served a wide variety of appraisal clients. His full resume appears in the Appendix.

2. THE WHOLE EARTH LECTRONIC LINK BUSINESS

2.1 Ownership

Whole Earth Lectronic Link is a California Corporation, incorporated on February 5, 1985. There is one class of common stock, 10,000 shares issued and outstanding. The Point Foundation and the Rosewood Stone Group each own 5,000 shares, or a 50% interest.

2.2 Prior Transactions

In June, 1991 The Rosewood Stone Group purchased a 50% interest in the Company from Network Technologies International (NETI) for $200,000 and the right of first refusal to purchase The Point Foundation's shares. There are no other stock options or warrant agreements outstanding.

2.3 The Nature and History of the Business

The WELL was founded in 1986 as an experimental computer network for electronic conferencing, message service and information access, similar to the now giant Compuserve, Prodigy and America Online services. It has achieved constant growth and developed a clearly defined niche, but growth has been limited by direction if its owners to that possible through the reinvestment of earnings only.

Divided into discussion areas called conferences, the WELL is best known for its more than 200 bulletin board style discussion groups for a to a wide variety of special interests (Exhibit A). It also provides electronic mail and access to Internet, a worldwide web linking more than 14,000 computer networks.

Income is derived primarily through monthly fees, billed in advance at $15 per month through credit cards, plus $2 per hour usage charges. It has about 6,000 subscribers. Additional income is produced by a variety of surcharges and other fees. " The WELL" is a registered trademark. The Company has no patents or proprietary software.

2.4 **Competition**

The explosive growth of computers since the formation of the WELL has resulted in the large, highly competitive industry providing online services shown in Exhibit B. The range from Compuserve, with over 2 million subscribers, down to the WELL with about 6,000. Of the top five, all but American Online are divisions of very large corporations. American Online recently became a publicly traded firm, with its stock price soaring in anticipation of large future growth. Other specialized networks include Peacenet, Echonet, ECHO (NY) and Metanet.

Clearly the WELL is of a different order of size and personality than these giants and cannot expect to compete with them head-on. Instead is in a niche market, with many users who maintain a personal relationship with the WELL and their conference. Each conference has a Host, volunteers who are not employees and receive only modest free network time for their

A Sampling of Popular Conferences on The WELL

Social Responsibility and Politics:
Amnesty International • Computer Professionals for Social Responsibility • Computers, Freedom & Privacy • Electronic Frontier Foundation • Environment • Firearms • First Amendment • Liberty • Non Profits • Peace • Politics • Socialism • Sustainability • Unity • Veterans • War

Media and Communications:
bOING bOING Mag • Computer Journalism • Indexing • Info Age • Internet • Media • Microtimes • Mondo 2000 • Packet Radio • Photography • Radio • Technical Writers • Telecommunications • Translators • Usenet ("net news") • Video • Virtual Reality • The Whole Earth Review • WIRED • F5 Zine Scene

Business and Livelihood:
Agriculture • Classifieds • Consultants • Consumers • The Future • Entrepreneurs • Investments • Legal • One Person Businesses • Work and Workplace

Body, Mind, Health:
AIDS • Aging • Disability • Dreams • Drugs • Eros • Fringes of Reason • Genealogy • Health • Holistic • Mind • Optical • Philosophy • Psychology • Sexuality • Spirituality

Cultures, Places, Languages:
Berkeley • Buddhist • Christian • East Coast • Geography • German • Hawaii • Irish • Midwest • North Bay • Northwest • Oakland • Pacific Rim • Peninsula, South Bay • San Francisco • Southern California • Southern USA • Spanish • Texas/Southwest • Tibet • Travel• Virtual Communities

Interactions:
Couples • Gay • Generation X • Interviews • Jokes • Kids • Life Stories • Miscellaneous • Nightowls • Parenting • Scams • Singles • True Confessions • Unclear • Weird

Words, Arts, Entertainment:
Arts • Art Com Electronic Net • Audio • Bay Area Tonight • Beatles • Books • CDs • Classical • Comics • Design • Graphic Arts • HORDE bands • Jazz • MIDI • Movies • Music • NAPLPS Graphics • Photography • Poetry • Radio • Restaurants • Science Fiction • Star Trek • Television • Theater • Words • Writers

Recreation:
Bicycles • Boating • Collecting and Antiques • Cooking • Drinks • Flying • Games • Gardening • Motoring • Outdoor Recreation • Pets • Sports

Education, Science and Planning:
Apple Library Users • Biology and Info • Biosphere II • Brainstorming • Co-Housing • Design • Earthquakes • Education • Energy • Environment • Homeowners • Network Integrations • Science • Scientific Computing • Transportation

Grateful Dead:
Deadlit • Feedback to the Dead • GD Hour • Grateful Dead (general) • Tapes • Tickets • Tours

Computers:
AI/Forth/Realtime • Amiga • Apple II • Art and Graphics • CP/M • Desktop Publishing • Hacking • Hypercard • IBM PC • Internet • LANs • Laptop • MIDI • Macintosh • NeXt • OS/2 • PDAs • Printers • Software Design • Software/Programming • UNIX • Virtual Reality • Windows • Word Processing

The WELL Itself:
Best of the WELL • Front-End Development • General technical • Hosts • News (WELL community news) • Policy • Public Software & Programmers • WELLcome and Help

Popular Private Conferences on the WELL – entry by invitation of Conference Host:
Band (for working musicians) • Gay (private) • The Matrix • Men on the WELL • Radio Producers • Readers' Circle • Recovery • WELL Writer's Workshop • Women on the WELL

updated 8/93

contribution. The WELL has maintained steady growth in spite of the formidable competition with virtually no advertising. Word-of-mouth has been the source of most new subscribers, although in some years the revenue gains have been bolstered by price increases. The major networks are making steady improvements in easy access and services, some of which the WELL must soon provide to maintain growth and reduce turnover of subscribers.

2.5 Management and Staff

The staff of the WELL has been recently upgraded with the appointment of Maurice Weitman, an experienced technology administrator, as General Manager. Gail Williams is Conferencing Manager and Matisse Enzer is Customer Support Manager. There are 14 employees.

The WELL enjoys the support of a diversified Board of Directors including: John P. Barlow, founder, Electronic Frontier Foundation; Kevin Kelly, editor, WIRED magazine; Bruce Katz, chairman Rosewood Stone Group; John McIntire, former director, Point Foundation; Claudia Stroud (Secretary), president Rosewood Stone Group, John Sumser, executive director, POINT Foundation; Mike Wilens (Chairman), former chairman NETI; Maurice Weitmam (Treasurer), general manager, the WELL.

2.6 Facilities

The WELL has entered into a lease for much needed larger facilities, beginning November 15, 1993, at 1750 Bridgeway, Sausalito. The lease has only 14.5 months to run but it is expected to

MAJOR ONLINE SERVICES

Most of the major online services offer a varierty of features and services, including news, weather, sports, shopping, financial advice and travel arrangements, as well as access to networks, E-mail, bulletins boards and roundtables. Many have some special features.

PRODIGY® Service

Claims the most users of any online service, and rivaled only by CompuServe in number and variety of services offered. Offers graphical screens, easy for beginners. The only online service with advertising, the only major one that doesn't offer live chat areas, and the only one to charge for internal E-mail messages (25 cents each).

- **No. of users:** 2 million.
- **Making the connection:** Startup software available in computer stores or by calling 800-776-3449. First month basic membership free.
- **Basic membership cost:** $14.95 a month for unlimited use of "core" features, includes 2 hours a month of "plus" features (including bulletin boards).
- **Alternate plans:** $7.95 a month for 2 hours of core and plus features; or $19.95 for 8 hours of core and plus features. Additional hours: $3.60-$4.80 for all plans.
- **Internet access:** None; E-mail access promised for November.
- **Details:** Access to ZiffNet and ImagiNation Network available for extra charge. Windows format due in November.

CompuServe

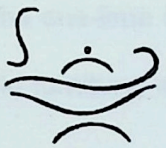
CompuServe's vast array of services and databases makes it the choice for many professionals and computer power-users, although its 350 forums and huge libraries of publicly available software attract many casual users, too.

- **No. of users:** 1.4 million.
- **Making the connection:** Membership kits with software and user's guide available through mail order outlets such as PC Connection or Microwarehouse, computer stores or from CompuServe (call 800-848-8199).
- **Basic membership cost:** $8.95 a month for unlimited access to 47 basic services; extended services, including bulletin boards and software libraries, for $8-$16 an hour depending on modem speed. First month membership free.
- **Internet access:** E-mail only, and it costs extra.
- **Details:** CompuServe Information Manager, a graphical interface that makes the service easier to use, can be downloaded for DOS, Windows or Macintosh.

AMERICA Online

America Online's colorful, Windows-style screen design, which enables you to navigate the system with a computer mouse, sets the standard for the industry (DOS and Macintosh versions are available).

- **No. of users:** 350,000
- **Making the connection:** Startup software, with 10 free hours of connect time, available in computer stores or by calling 800-827-6364.
- **Basic membership cost:** $9.95 a month for 5 hours, all services; $3.50 each additional hour.
- **Internet access:** E-mail only, but Gopher, WAIS and Usenet news groups premiere next month, and more promised for the future.
- **Details:** High-speed, 9600 bps service isn't available, but it will be by next month.



GEnie

GEnie is known for the variety and sophistication of its multiplayer games. It also boasts a software library of 150,000 files and dozens of special-interest roundtables.

- **No. of users:** 400,000.
- **Making the connection:** Dial by modem 800-638-8369. At the Connect prompt, type HHH and hit the return key. At the U#= prompt, type SIGNUP, then hit return. Then follow the instructions.
- **Basic membership cost:** $8.95 a month for 4 hours, $3 each extra hour. Long distance costs extra in some cities.
- **Internet access:** E-mail only, for an extra charge.
- **Details:** A Windows-style format is being developed to replace the text-based screens. There is a $6 an hour surcharge to connect at 9600 bps. Aladdin, a program to read and compose messages offline, can be downloaded.

DELPHI

Delphi offers a low-cost connection to the Internet as well as the usual features of a major online service.

- **No. of users:** 100,000.
- **Making the connection:** Dial 800-365-4636. At Username type JOINDELPHI. At Password, type ZM693.
- **Basic membership cost:** $10 per month for 4 hours, $4 each extra hour; or $20 per month for 20 hours, $1.80 each additional hour and one-time $19 entry fee. Internet costs $3 a month extra under either plan. Free, 5-hour new members' trial.
- **Internet access:** E-mail, Telnet, FTP, Usenet news groups, Gopher, WAIS.
- **Details:** Text-based screens are harder to use, but Windows and Macintosh formats are promised beginning early next year. Support for 9600 bps modems promised by year-end.

IMAGINATION™

ImagiNation bills itself as an interactive amusement park featuring live chatting and a wide variety of games, from checkers to fantasy role-playing to flight simulators.

- **No. of users:** 40,000
- **Making the connection:** For more information and startup information, call 800-743-7721.
- **Basic membership cost:** $12.95 per month for 30 hours of evening/weekend access, $2 each additional hour. E-mail, premium games and some chat areas cost extra.
- **Internet access:** None.
- **Details:** You need an IBM-compatible machine; no Macintosh access. Linked to Prodigy and NTN, a network of interactive game terminals in bars, restaurants and hotel lounges. Surcharge of $2 per hour for 9600 bps access.

Conferencing is the heart and soul of the WELL. There are more than 200 conferences for bulletin board-style discussion, from parenting to the Grateful Dead.

- **No. of users:** 8,000
- **Making the connection:** Dial by modem to 332-6106, follow instructions on the screen. Voice line: 332-4335.
- **Basic membership cost:** $15 a month plus $2 an hour. First 5 hours are free. If you live outside the San Francisco Bay area, long distance phone service costs extra.
- **Internet access:** E-mail, Telnet, FTP, Usenet news groups, Gopher, WAIS.
- **Details:** No live chatting or online games. Text-based screens eventually will be replaced by graphical screens for Macintosh and Windows. Surcharge of $1 an hour for 9600 bps.

Computers are this service's sole subject. Ziffnet offers a wealth of support and services for users of IBM-compatibles and Macintoshes, including software, a database of computer publications, online shopping and forums for exchanging views and information on computers.

- **No. of members:** 150,000
- **Making the connection:** Call 800-666-0330 for instructions.
- **Basic membership cost:** $2.50/month, plus $12.80 an hour to $22.80 an hour, depending on modem speed.
- **Internet access?:** E-mail only.
- **Details:** You also can connect through CompuServe or Prodigy. Combination membership with CompuServe costs $11.45 a month plus hourly charges. Membership through Prodigy costs $7.50 per month for 1 hour's use or $14.95 per month for 3 hours use, both in addition to Prodigy membership charges.

be renewed. The annual rent of $59,000 reflects an increase from $2,646 per month to $5,950. The one-time cost of the move may reach as much as $120,000, including the replacement of old furniture, wiring, construction, Pacific Bell CPN charges and other accociated costs.

2.7 New Subscribers and Cancellations

As measured by subscribers acquired and lost, the WELL had a reduced rate of growth for the first nine months of 1993. The first three quarters of 1993 produced 1,194 new users with 819 cancellations, for a net gain of 320. In 1992 the net gain was 945; in 1991 it was 900. The main reason for cancellations is the difficulty in using the current system. A high subscriber turnover rate has high associated customer service costs.

2.8 Developmental Requirements

The Company anticipates annual expenditures of about $80,000 per year for computer hardware upgrades for the next several years, to keep up with rapidly changing technology. The WELL also sorely needs software development to replace the current text-based screens with a simpler graphic interface. The first phase of project is expected to cost $250,000 and substantially more will be required to complete upgrades to conferencing software and a new Internet interface.

The Company also needs to establish a marketing plan, an advertising program and a small marketing staff. Considering the almost total lack of these activities in the past, reasonable expenditures could produce major increases in sales. However, this activity would probably not be very productive in developing and maintaining new subscribers until access is improved.

2.9 Contingent Liability

The conferencing business of the WELL is run on software called "Picospan", but the Company is unable to locate the license agreement with Unicom that reflects the WELL's right to use this software. The best estimate of a one-time fee that may be due Unicom some time in the future is about $50,000.

3. VALUATION CONSIDERATIONS

3.1 Fair Market Value

The classic definition of fair market value is the price transacted between a willing buyer and a willing seller, each having all reasonable knowledge and no compulsion to act. In practice this hypothetical ideal seldom takes place. Emotional and subjective elements override rational considerations. Full knowledge is rarely obtained.

The Internal Revenue Ruling 59-60, modified by Rulings 65-193, 77-287, 80-213, and 83-120, has set forth factors to be considered in valuations. They include:

1. The nature of the business and the history of the enterprise since its inception.
2. The economic outlook in general and the condition of specific industry.
3. The book value of the stock and the financial condition of the business.
4. The earning capacity of the business.

5. The dividend paying capacity.

6. Goodwill and other intangible assets.

7. Prior sales of company stock.

8. The market price of stocks of corporations in the same line of business openly traded in the open market.

The IRS also cautions in 59-60: "A sound valuation will be based on all the relevant facts, but the elements of common sense, informed judgement and reasonableness must enter into the process of weighing those facts and determining their aggregate significance..."

3.2 Applying Rule 59-60 to the WELL

Some of the IRS factors cannot be fairly applied to every business. In valuing the WELL we will rely on all of the suggested criteria which we believe are appropriate to the nature and condition of the business.

3.3 Economic Conditions as of the Valuation Date

A number of economic indicators were positive in the third quarter of 1993 indicating that the economy may finally be pulling out of the slow growth lethargy of the past year. Based upon initial reports, the gross domestic product, defined as the output of goods and services produced by labor and property located in the United States, increased at an annual rate of 2.8% in the third quarter of 1993. This increase occurred despite flooding in the Midwest and drought in the Southeast that damaged billions of dollars of crops.

The third quarter provided the highest quarterly GDP growth rate this year and reflected a clear advance over the 1.9% growth rate reported in the second quarter and the minimal 0.8% growth of the first quarter. The third quarter growth rate would have been 3.4%, if the weather related losses had been factored out. Strong consumer spending along with increases in housing construction and business investment were the major contributors to third quarter growth, by overcoming falling exports, reduced federal spending and decreased inventory growth.

Inflation and Interest Rates

Inflation remained low in the third quarter on both the producer and consumer levels. Over the past year, producer prices have risen only 0.5% and inflation at the retail level is running at an annual rate of just 2.5%. Inflation, as measured by the Consumer Price Index, is expected to finish the year below the 1992 rate of 2.9%.

Interest rates in the third quarter of 1993 were at their lowest levels in thirty years. he 30-year Treasury yield to maturity fell from 7.7% at year-end 1992 to 6.0% at September 30, 1993. AAA corporate bond yields fell to 6.7% from 7.9% and BAA bond yields also declined from 8.9% to 7.3% over the same period. The intermediate tax-free bond rate mirrored the corporate declines in the first half, falling from 6.4% to 5.3%. Many analysts anticipate only a moderate increase in interest rates in the next six months. Long-term rates are expected to stay within the 5.75% to 6.25% range as inflation remains subdued because analysts doubt that the Federal Reserve Board will raise short-term interest rates as the Administration is implementing a deficit reduction strategy.

Employment

The unemployment rate continued to fall in the third quarter, declining to 6.7% from the year-end 1992 level of 7.0%. Payrolls are growing, 156,000 jobs were added in September, but the new jobs are neither as numerous nor as well-paying as those created during prior recoveries. Manufacturing employment remains depressed, while service industries continue to generate most of the new jobs. The manufacturing sector has struggled for most of 1993, losing another 18,000 jobs in September, and pushing overall manufacturing employment to its lowest level in almost thirty years.

Service industries, led by temporary help and healthcare, have accounted for virtually all the nation's job creation of the past two years. Temporary help has increased dramatically, up 16% compared with 1.6% for all job growth. Employers are increasingly turning to temporary and contract workers to avoid paying the benefits related to full time employment. This trend is expected to continue if benefit costs increase, as most analysts anticipate under President Clinton's health plan.

The California Economy

The California economy trailed the nation in recovery from the recession, in large part because of the larger loss of defense related business. The unemployment rate reached a high at 9.5%. For the year 1993 as a whole, California personal income only grew by 1.6% which is the lowest growth rate in twenty years. California is currently emerging from the longest recession since World War II and the deepest recession since the depression of 1929. The best scenario for California would be a stronger and more broadly based U.S. recovery, since many of the state's

industries are tied to national markets. California makes up approximately 14% of the U.S. economy, and will benefit from any overall increase in business and consumer demand.

The Bay Area suffered less than Southern California, being more diverse and with fewer defense industries. However, the Association of Bay Area Grovernments (ABAG) forecasts that the Bay Area's sluggish economy will persist through the mid-1990s. Military cuts and the high cost of doing business were cited as contributing factors. Population is expected to grow by 1.5 million through 2010, roughly the same rate as the past 20 years. However unlike the past, 80% of this growth will be among Hispanics and Asians.

Because the WELL has a high proportion of California subscribers, it may be sensitive to poor economic trends. Subscribers may become more price conscious and reduce hourly usage. But much of the WELL's growth took place during poor economic years and the service may be somewhat insulated from these conditions.

4. THE FINANCIAL CONDITION OF THE WELL

4.1 Income Trends

In Exhibit C we have provided a four year income profile of the WELL from federal income tax returns, nine months of 1993 operation from Company statements, and the Company forecast for 1993. The following should be pointed out:

1. Net sales have increased every year, with an average annual growth of about 40% from 1989 through the 1993 forecast.

2. Annualized revenue growth for 1992 and projected 1993 is about 33%. A major contribution to this was an increase in subscription rates and a no mark-up $40,000 increase in phone packet fees. If these two items are deducted the growth rate is reduced to about 23%.

3. Most costs appear to have been well controlled, except for bad debts, which are a very high 4% of sales, perhaps in part due to the nature of the business, but they are cause for concern. Some needed expenses for maintenance, advertising or development may have been deferred. Nevertheless the Company has been profitable every year and is having an outstanding 1993.

4. The very large depreciation charge of $160,000 for 1993 includes $90,000 in accelerated depreciation of a replaced computer.

5. Officer's compensation has been unusually low in the past. However the current contract with Maurice Weitman as General Manager is more typical of industry compensation levels.

WHOLE EARTH LECTRONIC LINK
Comparative Income Statements

Period Ending:	12/31/89	%	12/31/90	%	12/31/91	%	12/31/92	%	9 mon ending 9/30/93	%	FORECAST 1993		
NET SALES	466,895	100.0%	768,624	100.0%	1,033,052	100.0%	1,324,009	100.0%	1,357,895	100.0%	Net Revenues	1,849,702	100.0%
EXPENSE													
Officers' Compensation	46,838	10.0%	54,480	7.1%	58,190	5.6%	77,744	5.9%	77,500	5.7%			
Salaries	116,335	24.9%	198,651	25.8%	297,048	28.8%	380,446	28.7%	326,496	24.0%	Direct Costs	324,375	17.5%
Payroll Taxes	13,549	2.9%	20,420	2.7%	29,250	2.8%	42,225	3.2%	40,770	3.0%			
Employee Benefits			13,467	1.8%	18,508	1.8%	31,785	2.4%	21,289	1.6%	Gross Margin	1,525,327	82.5%
Advertising & Promo	9,271	2.0%	9,537	1.2%	12,620	1.2%	10,093	0.8%	7,306	0.5%			
Bad Debts	10,901	2.3%	24,139	3.1%	42,935	4.2%	53,158	4.0%	60,147	4.4%			
Bank/Interest Charges	14,078	3.0%	19,020	2.5%	25,701	2.5%	28,920	2.2%	30,619	2.3%	EXPENSES		
Board Expense	653	0.1%	2,948	0.4%	3,340	0.3%			1,417	0.1%			
Computer Expense	7,579	1.6%					79,111	6.0%	35,693	2.6%	Personnel	571,775	30.9%
Customer Support	6,931	1.5%	23,872	3.1%	24,287	2.4%	12,376	0.9%	7,095	0.5%			
Hardware/Software Exp	10,391	2.2%	9,098	1.2%	13,036	1.3%	2,730	0.2%	2,977	0.2%	Computer Operations	136,443	7.4%
Insurance	2,031	0.4%	1,734	0.2%	4,334	0.4%	2,554	0.2%	1,101	0.1%			
Miscellaneous	2,810	0.6%	5,687	0.7%	8,446	0.8%	3,758	0.3%	2,478	0.2%	Sales/Marketing	30,030	1.6%
Network Services	100,115	21.4%	172,499	22.4%	235,092	22.8%	260,844	19.7%	246,176	18.1%			
Office Supplies	6,031	1.3%	6,914	0.9%	11,777	1.1%	11,281	0.9%	7,265	0.5%	Office Expense	88,654	4.8%
Postage	4,680	1.0%	3,081	0.4%	3,924	0.4%	6,979	0.5%	3,720	0.3%			
Professional Services	9,105	2.0%	3,421	0.4%	22,713	2.2%	30,258	2.3%	15,870	1.2%	Customer Support	24,984	1.4%
Rents	15,061	3.2%	16,440	2.1%	22,368	2.2%	29,614	2.2%	27,834	2.0%			
Repairs & Maintenance	5,824	1.2%	17,886	2.3%	17,587	1.7%	18,656	1.4%	1,615	0.1%	Conferencing	7,525	0.4%
Taxes & Licenses	2,395	0.5%	4,559	0.6%	13,800	1.3%	11,339	0.9%	3,984	0.3%			
Telephone	2,458	0.5%	3,909	0.5%	9,499	0.9%	11,699	0.9%	11,445	0.8%	General & Admin	203,628	11.0%
Travel & Entertainment	1,613	0.3%	1,298	0.2%	4,513	0.4%	5,775	0.4%	3,889	0.3%			
Utilities	7,278	1.6%	1,869	0.2%	2,839	0.3%	4,152	0.3%	4,300	0.3%			
TOTAL EXPENSES	395,927	84.8%	614,929	80.0%	881,807	85.4%	1,115,497	84.3%	940,986	69.3%	TOTAL EXPENSES	1,063,039	57.5%
EBDIT	70,968	15.2%	153,695	20.0%	151,245	14.6%	208,512	15.7%	392,010	28.9%	EBDIT	462,288	25.0%
Less Depreciation	(26,976)	-5.8%	(55,425)	-7.2%	(54,952)	-5.3%	(72,193)	-5.5%	(65,017)	-4.8%	Less Depreciation	(160,613)	
NET INCOME	43,992	9.4%	98,270	12.8%	96,293	9.3%	136,319	10.3%	326,993	24.1%	NET INCOME	301,675	16.3%
Less Taxes	(1,448)		(21,262)		(20,990)		(36,414)		(124,257)		Less Taxes	(114,637)	
	42,544	9.1%	77,008	10.0%	75,303	7.3%	99,905	7.5%	202,736	14.9%		187,039	10.1%

Exhibit C

4.2 **Balance Sheet Analysis**

Exhibit D covers the WELL balance sheets for 1989 through September 30, 1993 and highlight the following:

1. There has been no additional capital contribution to the WELL but equity has steadily increased through retained earnings, from $38,000 in 1989 to about $500,000 currently.

2. The Company has no long-term debt, no shareholder loans, very little other accrued liabilities and a debt-to-equity ratio of only .13. The balance sheet is strong.

3. The current ratio has steadily improved. The 1993 level of about six times more current assets than liabilities is a ten fold improvement over the earliest year shown, 1989.

4. Similarly, working capital grown every year from 1989 through 1993.

5. The after-tax return on sales hovers around the 10% level most years and appears to be a level the Company can maintain or perhaps improve.

6. The return on both assets and equity are both at relatively high, steady levels as well.

Exhibit D

WHOLE EARTH LECTRONIC LINK
Comparative Balance Sheets

Period Ending 12/31	1989	%	1990	%	1991	%	1992	%	9/30/93	%
ASSETS										
Current Assets										
Cash	2,810	1.5%	12,357	4.6%	40,889	13.7%	74,501	20.0%	263,200	38.7%
Net Receivables	43,636	23.3%	58,854	21.7%	62,979	21.1%	45,624	12.2%	204,685	30.1%
Credit Card Vouchers	35,486	19.0%	68,754	25.3%	73,797	24.7%	109,037	29.2%		
Prepaid Expenses	18	0.0%	2,058	0.8%	9,494	3.2%	1,648	0.4%	9,930	1.5%
Total Current Assets	81,950	43.8%	142,023	52.3%	187,159	62.7%	230,810	61.9%	477,815	70.3%
Fixed Assets										
Equipment	143,372	76.6%	190,224	70.1%	250,935	84.1%	347,122	93.1%	471,588	69.3%
Less Depreciation	(38,181)		(60,931)		(139,819)		(204,986)		(269,322)	
Total Fixed Assets	105,191	56.2%	129,293	47.7%	111,116	37.3%	142,136	38.1%	202,266	29.7%
TOTAL ASSETS	187,141	100.0%	271,316	100.0%	298,275	100.0%	372,946	100.0%	680,081	100.0%
LIABILITIES										
Current Liabilities										
Accounts Payable:	28,497	15.2%	16,377	6.0%	42,276	14.2%	77	0.0%	47,376	7.0%
Notes Payable	7,500	4.0%	37,500	13.8%	17,300	5.8%				
Stockholder Loans	84,022	44.9%	28,297	10.4%	15,057	5.0%				
Accrued Expenses	10,929	5.8%	10,216	3.8%	11,954	4.0%	34,043	9.1%	33,048	4.9%
Total Current Liabilities	130,948	70.0%	92,390	34.1%	86,587	29.0%	34,120	9.1%	80,424	11.8%
Long Term Debt	18,003	9.6%	11,362	4.2%	2,090	0.7%	30,000	8.0%		0.0%
TOTAL LIABILITIES	148,951	79.6%	103,752	38.2%	88,677	29.7%	64,120	17.2%	80,424	11.8%
EQUITY										
Capital Stock	33,967	18.2%	33,967	12.5%	33,967	11.4%	33,967	9.1%	72,990	10.7%
Retained Earnings	4,223	2.3%	133,597	49.2%	175,631	58.9%	274,859	73.7%	526,667	77.4%
TOTAL EQUITY	38,190	20.4%	167,564	61.8%	209,598	70.3%	308,826	82.8%	599,657	88.2%
LIABILITIES+EQUITY	187,141	100.0%	271,316	100.0%	298,275	100.0%	372,946	100.0%	680,081	100.0%

Current Ratio	0.63	1.54	2.16	6.76	5.94
Debt Equity	3.90	0.62	0.42	0.21	0.13
Working Capital	($48,998)	$49,633	$100,572	$196,690	$397,391
Return (EBIT) on Sales	9.4%	12.7%	9.3%	10.7%	24.1%
Return (EBIT) on Assets	23.5%	35.8%	32.0%	38.1%	48.1%
Return (EBIT) on Equity	115.0%	58.0%	45.6%	46.0%	54.5%

5. VALUATION CALCULATIONS

5.1 **Introduction To Methodology.** In order to establish the fair market value of Whole Earth Lectronic Link we must choose methods which will fairly represent the intrinsic worth of the business. Many valuation methods or combinations thereof have been used to appraise closely-held corporations. The following commonly used techniques, when properly applied, have met the approval of the Internal Revenue Service and courts:

1. **Book Value** is the result of complex accounting procedures, tax laws, depreciation, inventory valuation and other variables. Unless the underlying assets of a firm are very liquid and there is no goodwill, book value only accidentally represents the true worth of a business.

2. **Adjusted Book Value** recognizes the problems inherent in book value and attempts to adjust them. This method is appropriate where there is real property or other assets which have appreciated substantially, but is not a good candidate for valuing the WELL. Profitable operating companies are ordinarily best valued by methods related to income.

3. **Liquidation Value** assumes that the firm will cease operation, sell the assets and pay off creditors. There is no longer any going concern value or goodwill. This usually represents the lowest value for a closely-held corporation, although there are exceptions. We will not use this method.

4. **Capitalization of Past Cash Flow** assumes that the near future will follow the general

trends of the recent past. Earnings are a key benefit of ownership. When cash flow is capitalized at an appropriate rate, a value indication is obtained. The selection of a capitalization rate is critical to the valuation process. A weighted average of adjusted cash flow is normally used. We will rely on this method for one value indication of the WELL.

5. **Comparison with Publicly Held Companies** looks to the stock market and how the public values the stocks of similar companies. We have identified nine firms in similar industries, although all are substantially large than the WELL. We will use some of this data, discounted to an appropriate range both as a valuation method and a rule-of-thumb test of reasonableness.

6. **Discounted Future Debt Free Cash Flow** derives a value indication from future sales and income forecasts. It requires a careful forecast of future earnings; it is more reliable for firms with a relatively long earnings history. Adjustments to cash flow include consideration of working capital, capital expenditures and depreciation. The forecast cash flow must be discounted back to present value to account for the time value of money and the associated risk. We will calculate three values for the WELL using this method.

7. **Excess Earnings** is a formula, given official sanction by the Internal Revenue Service in 1920 in ARM-34, to compute the loss of goodwill in breweries during prohibition. It is really a product of a bygone era and bears little relationship to actual sales of public and private companies. The basic concept is that earnings produced by tangible assets are somehow more permanent and of higher quality than those attributable to intangible property. A better approach to goodwill is to value the whole enterprise by one or more methods, subtracting the book value and using the residual as goodwill. In a March, 1985 decision, the U.S. Tax Court agrees. In

Banc One v. Commissioner, 84 T.C. No. 35, the court objected to the use of the excess earnings formula alone. We will not use this method.

5.2 Capitalization of Past Cash Flow

This is one of the most often used earnings based statements of worth. As discussed in section 5.1 (4) above, it looks at a weighted average cash flow for the recent past, adjusted when appropriate to reveal the intrinsic worth of the business. In this method we use pre-tax cash flow as a basis for calculation, eliminating concern for tax issues.

In Exhibit E we have shown 4 years of revenues and reported operating profits and the forecast for the year ending December 31, 1993. To the pre-tax income we have added depreciation to obtain cash flow over a five year period. The resulting adjusted cash flow is weighted to indicate the trend. The 1993 results have five times the influence on the outcome as 1989.

The average weighted cash flow is capitalized at a 15% rate. This rate is a combination of the risk free rate of 30 year Treasury bonds of 6%, and an 9% risk premium, based on the nature and history of the business. Risk premiums typically range from 5% to 18% and are applied in the judgement of the appraiser. Established businesses with a strong trade position, well financed and with a depth of management are at the low end. Small, "one-person" enterprises have the highest risk. The WELL appears to fall near the middle of the lower range. Based on this method, the value of the WELL on September 30, 1993 is indicated as:

$1,766,000

WHOLE EARTH ELECTRONIC LINK

Capitalization of Past Cash Flow

For Periods Ending 12/31/	1989	1990	1991	1992	1993
NET SALES	466,812	767,617	1,032,267	1,329,613	1,869,702
PRE-TAX INCOME	43,992	96,270	96,293	136,319	240,543
ADD:					
Depreciation	26,976	55,495	54,932	72,193	160,613
PRE-TAX CASH FLOW	70,968	151,765	151,225	208,512	462,289
Weight	1	2	3	4	5
	70,968	303,530	453,675	834,048	2,311,445
5 Year Weighted Average Cash Flow		264,911			
Capitalized at:		15.0%			
INDICATED VALUE 8/31/93		$1,766,074			

5.3 Values Based On Data Derived From Public Companies

To use values established in the public market for companies generally comparable to the WELL, we screened about 30 publicly traded firms which met certain criteria. They had to be a medium technology firm, in the PC peripheral or network business, annual sales less than $75 million, a positive net income over the last three years and an acceptable trading volume.

From this field we selected the firms shown in Exhibit F as being most comparable in many respects. In fact they are all substantially larger than the WELL and our comparisons suffer in that respect. For each comparable company the stock price on the valuation date is indicated, together with the ratios for Price/Earnings (Mean of 16.3) and Price/Revenue (Mean of 2) for 12 and 24 trailing months. We have included in our chart, but not in our calculations, America Online, the only pure publicly traded online service, with a sales volume of about $45 million. The current very high stock price produces ratios which cannot be rationally applied to WELLS. It does however indicate something about the public market's perception of the growth prospects of America Online and the online service industry. The base income figures are from the income statement, in Section 4.1.

In these calculations the data for the most fiscal years, ending December 31, 1992 and the 1993 forecast were used. The important assumptions are then how should the ratios from the public market be adjusted to be applied to the WELL? Our growth rate scenarios for the WELL developed five year growth rates of about: 17%, 21% and 24%, far below the early growth rates of the public firms when their revenues were below $10 million. We have therefore reduced the

WHOLE EARTH LECTRONIC LINK

Market Ratios of Publicly Traded Firms

Company	Stock Price 9/30/93	Price/Earnings, Trailing		Price/Revenue, Trailing	
		Avg 24 mo	12 Months	Avg 24 mo	12 Months
America Online	57.125	N/A	120.0	N/A	14.5
Artisoft, Inc	9.750	12.8	14.3	1.9	1.8
Boca Research	7.250	16.6	15.4	2.0	1.9
Equinox Systems	11.500	15.8	15.5	1.7	1.7
Xircom, Inc.	18.25	16.6	15.8	1.7	1.6
Xyplex	28.34	19.8	19.1	2.6	2.5
Mean		**16.3**	**16.0**	**2.0**	**1.9**

1. High Value Indications

WELL Values Based On Ratios of Public Firms Discounted 30%	Price/Earnings, Trailing		Price/Revenue, Trail (x 1.25)	
	Avg 24 mo	12 Months	Avg 24 mo	12 Months
Base	143,472	187,039	1,586,856	1,849,702
Ratio	11.4	11.2	1.25	1.25
Value of WELL	**1,639,024**	**2,097,455**	**1,983,569**	**2,312,128**

2. Mid Value Indications

WELL Values Based On Ratios Of Public Firms Discounted 40%	Price/Earnings, Trailing		Price/Revenue, Trailing (1)	
	Avg 24 mo	12 Months	Avg 24 mo	12 Months
Base	143,472	187,039	1,586,856	1,849,702
Ratio	9.8	9.6	1.00	1.00
Value of WELL	**1,404,878**	**1,797,819**	**1,586,856**	**1,849,702**

3. Low Value Indications

WELL Values Based On Ratios Of Public Firms Discounted 50%	Price/Earnings, Trailing		Price/Revenue, Trailing (.75)	
	Avg 24 mo	12 Months	Avg 24 mo	12 Months
Base	143,472	187,039	1,586,856	1,849,702
Ratio	8.2	8.0	0.75	0.75
Value of WELL	**1,170,732**	**1,498,182**	**1,190,142**	**1,387,277**

Lowest Value Indication	**$1,170,732**
Median Value Indication	**$1,797,819**
Highest Value Indication	**$2,312,128**

public market ratios by 50%, 40% and 30% to recognize this disparity. Our calculations developed 12 value indications for the WELL. Many of them are clustered around the mean value. The range is:

Lowest Value Indication	$1,171,000
Median Value Indication	$1,798,000
Highest Value Indication	$2,312,000

5.4 Discounted Future Cash Flow

As discussed in Section 5.1 (6) this method requires assumptions about future sales, operating costs, and industry trends. Two components of future value are derived: the present value of future debt free cash flow and an estimate of the present value of the business at the end of the forecasting period, called the "terminal value" or residual.

It is important to note that these projections are self-funding. Cash has been deducted from cash flow to provide for the increased working capital required as volume increases. Funds have also been allocated to capital expenditures for both hardware and software. These may not be sufficient for short term needs, but they give and indication of the long term ability of the cash flow to support the needs for funds.

Three scenarios, differing primarily in forecasted revenue growth, produce a range of value indications are shown in Exhibits G, H, I. The following assumptions were used:

1. High, Mid and Low Scenarios use roughly the same five year sales growth rates applied in Section 5.3. All include a larger increase in 1996, assuming a rate increase in three years.

2. Direct Costs which are fully variable with volume are 17% of sales.

3. Personnel Expenses are 31.5% of revenues in 1994, increasing modestly in the low sales scenario and dropping slightly in the high forecast.

4. Computer Operations are increased to 9% of sales from the historical 7.5%. Technical payroll is included in Personnel costs.

5. Sales and Marketing costs include an additional 4.5% of sales for advertising and marketing

6. Other Expenses and G & A are set at 1993 percentage levels.

7. Depreciation is calculated at 5.5% of sales.

8. Hardware Capital Expenditures are set at Company estimates.

9. Software Capital Expenditures are set at $125,000 per year, a level which can be supported by cash flow, but may not be sufficient to accomplish a major short run development.

10. Working Capital requirements are calculated at 12.8% of sales, historical average.

11. Present Value Discount Rate of 20% is obtained from a capital asset pricing model.

12. Terminal Value or residual was determined by increasing the year 5 (1998) cash flows by the 1997-98 growth rate and capitalizing the new cash flows at the discount rate less the growth rate. The terminal value is discounted to present value at the same 20% rate as applied to the last year of the forecast. As a result, the value indications for the WELL are:

Low Discounted Cash Flow	$1,355,000
Mid Discounted Cash Flow	$1,611,000
High Discounted Cash Flow	$1,910,000

WHOLE EARTH ELECTRONIC LINK

Discounted Future Cash Flow

(In Thousands)

Scenario 1

Years ending December 31	1994	1995	1996	1997	1998
TOTAL SALES	2,219,642	2,663,571	3,329,464	3,828,883	4,211,771
Growth over last year	20.0%	20.0%	25.0%	15.0%	10.0%
DIRECT COSTS	388,437	466,125	582,656	670,055	737,060
	17.5%	17.5%	17.5%	17.5%	17.5%
GROSS PROFIT	1,831,205	2,197,446	2,746,807	3,158,829	3,474,711
	82.5%	82.5%	82.5%	82.5%	82.5%
EXPENSES					
Personnel	699,187	839,025	1,065,428	1,225,243	1,347,767
	31.5%	31.5%	32.0%	32.0%	32.0%
Computer Operations	199,768	239,721	299,652	344,599	379,059
	9.0%	9.0%	9.0%	9.0%	9.0%
Sales\Marketing\Conferencing\Support	177,571	213,086	266,357	306,311	336,942
	8.0%	8.0%	8.0%	8.0%	8.0%
Office Expense	177,571	213,086	266,357	306,311	336,942
	6.0%	6.0%	6.0%	6.0%	6.0%
General & Administrative	244,161	292,993	366,241	421,177	463,295
	11.0%	11.0%	11.0%	11.0%	11.0%
TOTAL EXPENSES	1,498,259	1,797,910	2,264,035	2,603,641	2,864,005
	67.5%	67.5%	68.0%	68.0%	68.0%
EBDIT	332,946	399,536	482,772	555,188	610,707
	15.0%	15.0%	14.5%	14.5%	14.5%
Less Depreciation	(122,080)	(146,496)	(183,120)	(210,589)	(231,647)
Net After Depreciation	210,866	253,039	299,652	344,599	379,059
Less Income tax @ 38%	(80,129)	(96,155)	(113,868)	(130,948)	(144,043)
Net Income	130,737	156,884	185,784	213,652	235,017
	5.9%	5.9%	5.6%	5.6%	5.6%
ADD:					
Depreciation	122,080	146,496	183,120	210,589	231,647
Less:Capital Expenditures, Hardware @5%	(80,000)	(84,000)	(88,200)	(50,000)	(50,000)
Less:Capital Expenditures, Software	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
Change In Working Capital	113,046	(56,869)	(85,303)	(63,978)	(49,049)
Net Cash Flow	160,864	37,512	70,401	185,263	242,615
Present value of Cash Flow @ 20%	282,778				
Terminal Value	1,072,516				
BUSINESS VALUE INDICATION	**$1,355,294**				

Johnson Hershey Corporation

WHOLE EARTH ELECTRONIC LINK

Discounted Future Cash Flow

(In Thousands)

Scenario 2

Years ending December 31	1994	1995	1996	1997	1998
TOTAL SALES	2,219,642	2,774,553	3,745,647	4,307,494	4,738,243
Growth over last year	20.0%	25.0%	35.0%	15.0%	10.0%
DIRECT COSTS	388,437	485,547	655,488	753,811	829,193
	17.5%	17.5%	17.5%	17.5%	17.5%
GROSS PROFIT	1,831,205	2,289,006	3,090,158	3,553,682	3,909,050
	82.5%	82.5%	82.5%	82.5%	82.5%
EXPENSES					
Personnel	699,187	873,984	1,198,607	1,378,398	1,516,238
	31.5%	31.5%	32.0%	32.0%	32.0%
Computer Operations	199,768	249,710	337,108	387,674	426,442
	9.0%	9.0%	9.0%	9.0%	9.0%
Sales\Marketing\Conferencing\Support	177,571	221,964	299,652	344,599	379,059
	8.0%	8.0%	8.0%	8.0%	8.0%
Office Expense	177,571	221,964	299,652	344,599	379,059
	6.0%	6.0%	6.0%	6.0%	6.0%
General & Administrative	244,161	305,201	412,021	473,824	521,207
	11.0%	11.0%	11.0%	11.0%	11.0%
TOTAL EXPENSES	1,498,259	1,872,823	2,547,040	2,929,096	3,222,005
	67.5%	67.5%	68.0%	68.0%	68.0%
EBDIT	332,946	416,183	543,119	624,587	687,045
	15.0%	15.0%	14.5%	14.5%	14.5%
Less Depreciation	(122,080)	(152,600)	(206,011)	(236,912)	(260,603)
Net After Depreciation	210,866	263,583	337,108	387,674	426,442
Less Income tax @ 38%	(80,129)	(100,161)	(128,101)	(147,316)	(162,048)
Net Income	130,737	163,421	209,007	240,358	264,394
	5.9%	5.9%	5.6%	5.6%	5.6%
ADD:					
Depreciation	122,080	152,600	206,011	236,912	260,603
Less:Capital Expenditures, Hardware @5%	(80,000)	(84,000)	(88,200)	(50,000)	(50,000)
Less:Capital Expenditures, Software	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
Change In Working Capital	113,046	(71,086)	(124,401)	(71,975)	(55,181)
Net Cash Flow	160,864	35,935	77,417	230,296	294,817
Present value of Cash Flow @ 20%	307,370				
Terminal Value	1,303,283				
BUSINESS VALUE INDICATION	**$1,610,653**				

Johnson Hershey Corporation

WHOLE EARTH ELECTRONIC LINK

Discounted Future Cash Flow

(In Thousands)

Scenario 3

Years ending December 31	1994	1995	1996	1997	1998
TOTAL SALES	2,312,128	2,890,159	3,901,715	4,877,144	5,364,858
Growth over last year	25.0%	25.0%	35.0%	25.0%	10.0%
DIRECT COSTS	404,622	505,778	682,800	853,500	938,850
	17.5%	17.5%	17.5%	17.5%	17.5%
GROSS PROFIT	1,907,505	2,384,381	3,218,915	4,023,644	4,426,008
	82.5%	82.5%	82.5%	82.5%	82.5%
EXPENSES					
Personnel	728,320	910,400	1,248,549	1,560,686	1,716,755
	31.5%	31.5%	32.0%	32.0%	32.0%
Computer Operations	208,091	260,114	351,154	438,943	482,837
	9.0%	9.0%	9.0%	9.0%	9.0%
Sales\Marketing\Conferencing\Support	184,970	231,213	312,137	390,172	429,189
	8.0%	8.0%	8.0%	8.0%	8.0%
Office Expense	184,970	231,213	312,137	390,172	429,189
	6.0%	6.0%	6.0%	6.0%	6.0%
General & Administrative	254,334	317,918	429,189	536,486	590,134
	11.0%	11.0%	11.0%	11.0%	11.0%
TOTAL EXPENSES	1,560,686	1,950,858	2,653,166	3,316,458	3,648,104
	67.5%	67.5%	68.0%	68.0%	68.0%
EBDIT	346,819	433,524	565,749	707,186	777,904
	15.0%	15.0%	14.5%	14.5%	14.5%
Less Depreciation	(127,167)	(158,959)	(214,594)	(268,243)	(295,067)
Net After Depreciation	219,652	274,565	351,154	438,943	482,837
Less Income tax @ 38%	(83,468)	(104,335)	(133,439)	(166,798)	(183,478)
Net Income	136,184	170,230	217,716	272,145	299,359
	5.9%	5.9%	5.6%	5.6%	5.6%
ADD:					
Depreciation	127,167	158,959	214,594	268,243	295,067
Less:Capital Expenditures, Hardware @5%	(80,000)	(84,000)	(88,200)	(50,000)	(50,000)
Less:Capital Expenditures, Software	(125,000)	(125,000)	(125,000)	(125,000)	(125,000)
Change In Working Capital	101,199	(74,048)	(129,584)	(124,956)	(62,478)
Net Cash Flow	159,550	46,141	89,526	240,431	356,948
Present value of Cash Flow @ 20%	331,918				
Terminal Value	1,577,945				
BUSINESS VALUE INDICATION	**$1,909,863**				

5.5 Summary of Valuation Methods

As the result of our analysis we have developed the following range of values for the Whole Earth Lectronic Link as of September 30, 1993:

A. Low Discounted Cash Flow	**$1,355,000**
B. Low Price Earnings Value	**$1,498,000**
C. Mid Discounted Cash Flow	**$1,610,000**
D. Capitalization of Past Cash Flow	**$1,766,000**
E. Mid Price Earnings Value	**$1,798,000**
F. High Discounted Cash Flow	**$1,910,000**
G. High Price Earnings Value	**$2,097,000**

Revenue Ruling 59-60 states "no useful purpose is served by taking the average of several factors and basing the valuation on the result. Such a process excludes active consideration of other pertinent factors, and the end result cannot be supported by a realistic application of the significant facts in the case except by mere chance."

As a result of all of the above, in our opinion the fair market value of the WELL as of September 30, 1993 is best represented by the Capitalization of Past Cash Flow. That value is:

$1,766,000

5.6 Test of Reasonableness

Industry rules-of-thumb are helpful in testing value calculations for a range of reasonableness.

A typical value for profitable firms in computer related industries with reasonable growth prospects is equal to the sales for the most recent year. The WELL is expected to have sales of about $1,849,000 for 1993, about $80,000 more than our value opinion.

6. DISCOUNTS AND PREMIUMS TO FAIR MARKET VALUE

Background

From the value obtained above is appropriate to consider discounts and premiums which may apply to the fair market value.

(1) **Lack of Marketability** deals with liquidity. Investments in closely held companies tend to have a longer time horizon than publicly traded stocks. Owners of shares typically cannot quickly convert them to cash. A discount for lack of marketability reflects a reduction in value of the corporation for this business risk.

(2) **Premium for Control** is the other side a minority discount. It reflects the value added by obtaining control of corporate activities, including company policies and officer compensation.

Lack of Marketability

To support a discount for lack of marketability on an empirical basis there is an abundance of published data, going back 25 years or more. We will cite four which we believe are the most

relevant to the condition of the Well as of December 31, 1992.

(1) Robert E. Moroney published an early classic study of 146 blocks of Rule 144 restricted stock and compared the prices of publicly traded stocks with restricted stock of the same firms. ("Most Courts Overvalue Closely Held Securities" Taxes, March 1973). The study revealed discounts as large as 90%, with an average of 35% for this lack of marketability caused by the restriction of liquidity.

(2) Lance S. Hall (The Appraisal Journal, April, 1989) updated a 1971 SEC restricted stock study by analyzing 60 transactions of Rule 144 stock, from 1983 through 1987. His analysis suggests that the magnitude of an appropriate discount differs drastically based on a number factors. Generally the smaller the firms revenues, the less certain the earnings, the smaller the market value, the greater the discount, often up to 50%.

(3) Willamette Management Associate Studies used a different approach. This very detailed study of private market transactions of closely held stocks as compared with public offering prices of the same stock included a great deal of investigative work. Every issue was closely examined for special circumstances which might bias the analysis. In many cases the private transactions took place several years before going public. Prices were adjusted for changes in industry stock price indexes. Five series covered a 10 year period from 1975 though 1985. With 443 transactions analyzed, median discounts for lack of marketability ranged from 30% to 50% percent, with a weighted mean of 41%.

(4) Robert W. Baird Studies. John D. Emory of this investment banking firm has published a

definitive work using five studies over a period of 12 years. Transactions that took place in closely held stocks five months before the initial public offering were compared with the offering price. The private transactions would have to withstand SEC or judicial review in light of subsequent stock offering, giving them more substance than similar transactions where no public offering was contemplated. The median discount in the years 1981, 1986, 1989 and 1992 were 66%, 43%, 45%, 40% and 40% respectively. These discounts would almost certainly reflect private sales with full knowledge of the likelihood of marketability within six months, considering the time required to prepare a public offering.

In our opinion appropriate discount for lack of marketability for the WELL should fall in the same range as those described above.

Premium for Control

Offers to purchase a controlling interest in a corporation are often include a premium because of the obvious value of control. Owning 100% of all outstanding stock has additional advantages.

The Los Angeles firm of Houlihan, Lokey, Howard and Zukin has been collecting control premium data as the result of a takeover or buy-out since 1986, and have published reports quarterly, broken down by industry SIC code. An attempt is made in each case to collect stock price data unaffected by publicity over possible buy-outs and compare that with the cash price actually paid for controlling interest in the business. For the 12 months ending December 31, 1990, the control premium was 30 to 35%

Sunbelt Nursery Group Inc.

Date	Common Stock	Daily Volume
(1990)		
October 5	11.750	700
October 4	11.750	19300
October 3	11.625	46100
October 2	11.500	20700
October 1	11.500	22000
September 28	11.500	30100
September 27	11.500	183900
* September 26	11.750	57300
September 25	8.750	1100
September 24	8.750	500
September 21	8.750	3200
September 20	8.625	200
September 19	8.750	4800
September 18	8.875	1500
September 17	8.750	600
September 14	8.875	800
September 13	8.875	2100
September 12	8.875	NA
September 11	8.875	1700
September 10	8.750	100
September 7	8.750	100
September 6	8.875	1800
September 5	8.750	600
September 4	8.875	2900
September 3	8.625	NA
August 31	8.625	NA
August 30	8.625	NA
August 29	8.750	2700
August 28	8.500	3600
August 27	8.500	1300
August 24	8.375	5900
August 23	8.500	8800
August 22	8.625	1700
August 21	8.750	2300
August 20	8.875	5400
August 17	8.875	1600
August 16	8.875	4300
August 15	8.625	7100
August 14	8.375	1300
August 13	8.375	4000
August 10	8.375	100
August 9	8.375	400
August 8	8.500	2100
August 7	8.500	10600
August 6	8.500	5200
August 3	8.875	4000
August 2	8.875	1000
August 1	9.000	1000

* Announcement Date of $12 per share offer.

Target Business

Sunbelt Nursery Group, 39.9 percent owned by Intermark Inc., is a specialty retailer of nursery and garden products with markets in the Southern, Southwestern, and Western U.S. Sunbelt operates 96 garden centers and is a leading retailer of lawn and garden products in California, Texas, and Arizona. Sunbelt was formed as a wholly owned unit of Pier 1 Imports in 1983. Pier 1 distributed 84 percent of Sunbelt to Pier 1 shareholders in 1985.

Acquirer Business

Pier 1 Imports is engaged in specialty retail operations through a chain of retail stores in the U.S. and Canada. These stores sell a variety of wicker and rattan furniture, decorative home furnishings, accessories, and other specialty items for the home and distinctive casual clothing and fashion accessories. Sun Acquisition Inc. is a unit. Intermark Inc. owns 35.3 percent of Pier 1's common stock and has voting control of 52 percent of Pier 1.

The premiums vary by industry. When daily stock transactions are traced for several months preceding the announcement of an offer, prices typically increase sharply when an offer is made for control. For example, in Exhibit J, the shares of Sunbelt Nursery Group increased 34% when it was acquired by Pier 1 Imports.

In our experience the typical control premium is 10% to 15% less than discounts for lack of marketability. We believe that the shares of the WELL being acquired by the Rosewood Stone Group should be discounted by 12.5% to reflect this disparity.

In our opinion, a 50% interest in the WELL which brings with it 100% control has the following value as of September 30, 1993.

Fair Market Value of 100% of the WELL shares:	**$1,766,000**
Fair Market Value of 50% of the WELL shares:	**$883,000**
Less 12.5% Discount:	**-$110,375**
Value of 50% of the WELL Shares:	**$772,625**

JOHNSON HERSHEY CORPORATION

Alan W. Johnson, ASA

December 15, 1993